



San Francisco City and County Employees' Retirement System

RETIREMENT BOARD MEETING MINUTES

Wednesday, February 14, 2024

1145 Market Street, 6th Floor
San Francisco, CA 94103
11:00 AM

Members of the Board will attend this meeting in-person. Members of the public attending the meeting in person will have an opportunity to provide public comment on every item. In addition to in-person public comment, members of the public may provide public comment remotely by phone. The Board will hear remote public comment on each agenda item in the order that commenters add themselves to the queue to comment on the item.

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is Dedicated to Securing, Protecting and Prudently Investing the Pension Trust Assets, Administering Mandated Benefit Programs, and Providing Promised Benefits.

RETIREMENT BOARD MEMBERS

Leona Bridges
Joseph Driscoll
Joel Engardio
Shruti Gandhi
Scott Heldfond, President
Tim O'Connor
A.J. Thomas, Vice President

Alison Romano, CEO & CIO

Retirement Board Meeting

PUBLIC COMMENT CALL-IN: 415-655-0001

Access Code: 2662 712 5389

Providing Public Comment

- Public comment will be available on each item on this agenda. Each speaker will be allowed 2 minutes to speak. Comments or opportunities to speak during the public comment period are available via phone call by calling **(415) 655-0001**, access code [2662 712 5389], press '#' then '#' again.
- When connected you will hear the meeting discussions, but you will be muted and in listening mode only.
- When your item of interest comes up, dial *3 to be added to the speaker line. Best practices are to call from a quiet location, speak clearly and slowly, and turn down your television, radio, or computer.

Retirement Board Meeting Minutes

February 14, 2024

Page 3 of 15

DISABILITY ACCESS

The San Francisco Employees' Retirement System is wheelchair accessible. This meeting will be broadcast and captioned on SFGovTV. Remote public participation is available upon request for individuals who cannot attend in person due to disability. Making a request to participate remotely no later than one hour prior to the start of the meeting helps ensure availability of the meeting link. Sign Language Interpretation is also available upon request. If requesting remote Sign Language Interpretation, please submit an accommodation request a minimum of four business hours prior to the start of the meeting. Allowing a minimum of 48 business hours for all other accommodation requests (for example, for other auxiliary aids and services) helps ensure availability. To request accommodation, please contact the Board Secretary at Darlene.armanino@sfgov.org or 415.487.7012.

There is accessible parking in the vicinity of 1145 Market Street at Civic Center Plaza. Accessible **MUNI** lines are available at the corner of Market Street and 8th Street. The closest accessible **MUNI /BART** station is Civic Center Station.

Materials accompanying the agenda are available for public inspection and copying at SFERS, 1145 Market Street, 7th Floor. For additional information, please contact Darlene Armanino, Board Secretary, at (415) 487-7012. Written reports or background materials for calendar items are available for public inspection and are available online at <https://mysfers.org/about-sfers/retirement-board/>.

In order to assist the City's efforts to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products. Please help the City to accommodate these individuals.

The ringing of and use of cell phones, pagers and similar sound-producing electronic devices are prohibited at this meeting. Please be advised that the Chair may order the removal from the meeting room of any person(s) responsible for the ringing or use of a cell phone, pager, or other similar sound-producing electronic devices.

Know Your Rights Under the Sunshine Ordinance

(Chapter 67 of the San Francisco Administrative Code)

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. This ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. FOR MORE INFORMATION ON YOUR RIGHTS UNDER THE SUNSHINE ORDINANCE OR TO REPORT A VIOLATION OF THE ORDINANCE, CONTACT THE SUNSHINE ORDINANCE TASK FORCE.

Sunshine Ordinance Task Force, City Hall, 1 Dr Carlton B. Goodlett Place, Room 244, San Francisco, CA 94103-4689
(415) 554-7724 by fax at (415) 554-7854 or by email at sof@sfgov.org

Citizens interested in obtaining a free copy of the Sunshine Ordinance can print a copy of Chapter 67 of the San Francisco Administrative Code on the Internet, <http://www.sfgov.org/sunshine/>

Any materials distributed to the Retirement Board (or committee) within 72 hours of the meeting or after distribution of the agenda packet to Board (or committee) members are available for public inspection at SFERS, 1145 Market Street, 7th Floor, during regular office hours.

Lobbyist Registration and Reporting Requirements:

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance (San Francisco Campaign and Governmental Conduct Code sections 2.100 – 2.160) to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the Ethics Commission at 25 Van Ness Avenue, Suite 220, San Francisco, CA 94103, telephone (415) 252-3100, fax (415) 252-3112 and web site: www.sfgov.org/ethics

Meetings are recorded by SFGovTV, the Government Channel 26. For DVD copies and rebroadcast scheduling call (415) 554-4188. Video on demand is available at: <http://sfgovtv.org>

OPENING CALENDAR

1. Roll Call	Commissioner Leona Bridges	11:15 AM
	Commissioner Joseph Driscoll	11:05 AM
	Commissioner Joel Engardio	11:20 AM
	Commissioner Shruti Gandhi	11:25 AM
	Commissioner Scott Heldfond	11:05 AM
	Commissioner Tim O'Connor	11:05 AM
	Commissioner A.J. Thomas	11:05 AM

2. Communications

Announcement regarding public comment periods during meeting.

3. 021424-03 General Public Comment

General Public Comment was called.

Fred Sanchez, President of Protect our Benefits, welcomed new Commissioner Engardio and spoke about the wonderful service he has received from staff and commented as a service to let people know that anyone who files papers such as a domestic partner with City Hall also needs obtain a certified copy and file it with SFERS.

Kevin McPherson, spoke about the long delays in his application for Industrial Disability Retirement and suggested an audit as to why the long delays.

Alyssa Giachino with the Private Equity Stakeholder Project, spoke about Blackstone's poor track record as a landlord and its role in driving up housing prices and stated that investors should tell Blackstone not to invest in new acquisitions unless Blackstone agrees to a set of standards that would ensure basic protections for tenants and protect investors from potential headline and reputational risks.

Fernando Perez, United Here 11, member of hospitality, lives paycheck to paycheck and urged Blackstone to settle their labor disputes.

Crystal Padilla, a cook at the Sheraton in Phoenix and member of Local II United Here, spoke about her struggles with the high cost of living and low wages and urged Blackstone to resolve the labor disputes.

Ty Hudson, Research Director, Unite Here Local 2, reported that 35 hotels have reached tentative settlements with Local 11 that will provide living wages, affordable benefits and adequate staffing. Blackstone has remained unwilling to agree to the same standards and faces ongoing labor disputes, picket lines and potential strikes and urged SFERS to demand Blackstone to resolve their contracts.

Alex Sanchez, employee of City and County of San Francisco, Local 6, reported that he is unable to calculate 6 years of military service credit on the SFERS retirement calculator online.

There were no further comments from the public and General Public Comment was closed.

4. 021424-04 Action Item Approval of the Minutes of the January 10, 2024 Retirement Board Meeting

Documents provided to the Retirement Board prior to the current meeting: Draft Minutes of the January 10, 2024 Retirement Board Meeting.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Bridges, seconded by Commissioner Thomas, to approve the Minutes of the January 10, 2024 Retirement Board Meeting.

Ayes: Commissioners Bridges, Driscoll, Engardio, Gandhi, Heldfond, O’Connor, Thomas

CONSENT CALENDAR

All matters listed hereunder constitute a Consent Calendar, are considered to be routine by the Retirement Board and will be acted upon by a single vote of the Retirement Board. There will be no separate discussion of these items unless a member of the Retirement Board requests, in which event the matter shall be removed from the Consent Calendar and considered as a separate item.

5. 021424-05	Action Item	Consent Calendar
021424-05a	Action Item	Voluntary Retirement Board List No. 08-23
021424-05b	Action Item	Decisions of Hearing Officers
Applicant-A Effective Date: 09/17/2021	0382 Inspector 3 Police	Industrial Disability Retirement/Stip Granted
Applicant-B Effective Date: 10/01/2023	Q004 Police Officer 3 Police	Industrial Disability Retirement Granted

Retirement Board Meeting Minutes

February 14, 2024

Page 6 of 15

Applicant-C Effective Date: 06/05/2019	Q004 Police Officer 3 Police	Industrial Disability Retirement /Stip Denied (VR 06/05/19)
Applicant-D Effective Date: 02/18/2023	H002 Firefighter Fire	Industrial Disability Retirement Granted
Applicant-E Effective Date: 02/27/2021	H003 EMT/Paramedic/Firefighter Fire	Industrial Disability Retirement/Stip Granted
Applicant-F Effective Date: 06/22/2022	Q004 Police Officer 3 Police	Industrial Disability Retirement/Stip Granted
Applicant-G Effective Date: PERS	8444 Deputy Probation Officer JUV Probation Services	CalPERS Disability Retirement Certified
Applicant-H Effective Date: PERS	8304 Deputy Sheriff Sheriff	CalPERS Disability Retirement Certified
Applicant-I Effective Date: 06/30/2021	H020 Lieutenant, Fire Suppression Fire	Industrial Disability Retirement/Stip Granted

Documents provided to the Retirement Board prior to the current meeting: Voluntary Retirement Board List, Decisions.

Public Comment was called.

Kevin McPherson spoke about his unfair 3 year-long wait for his IDR.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Thomas, seconded by Commissioner Driscoll, to approve the Consent Calendar.

Ayes: Commissioners Bridges, Driscoll, Engardio, Gandhi, Heldfond, O'Connor, Thomas

INVESTMENT CALENDAR

6. 021424-06 Discussion Item Investment Committee Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum

Commissioner Thomas, Chair of the Investment Committee, reported that at their meeting on January 31, 2024, the Investment Committee, reported on the following:

- Approved the Minutes of the November 1, 2024 Investment Committee meeting.
- Wilshire provided the Investment Committee with an educational session on the asset allocation process, focusing on Wilshire’s assumptions including capital markets, risk factors, liquidity and other foundational items associated with the Asset and Liability Study process.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

7. 021424-07 Discussion Item Proxy Voting Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memoranda

Kurt Braitberg, Managing Director, Andrew Collins, Director of ESG Investing, presented a report on proxies voted during the prior calendar year. The report provided summary level information on how SFERS has voted its proxies across two broad proxy proposal classifications:

- Management Proposals – this category includes the election of directors, executive compensation, appointment of auditors, and reorganizations / mergers; and
- Shareholder Proposals – this category includes corporate governance, social, and environmental topics.

Commentary was provided on trends observed during the 2023 voting season and SFERS’ voting practices over time.

The Board reviewed and discussed the material and engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

8. 021424-08 Action Item Review and Approval of Proxy Voting Policies

Documents provided to the Retirement Board prior to the current meeting: Staff Memoranda, SFERS 2024 Proxy Voting Guidelines clean, SFERS 2024 Proxy Voting Guidelines redlined.

Andrew Collins, Director of ESG Investing, presented their annual review on the approved Proxy Voting Guidelines and recommended seven (7) updates to the SFERS Proxy Voting Guidelines as follows:

- General updates to the Proxy Voting Guidelines to improve presentation, clarity, and readability;
- Six (6) updates to the existing proxy voting policy for Director Elections; and
- One (1) update to the existing proxy voting policy for Shareholder Rights.

The Board reviewed and discussed the material and engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Bridges, seconded by Commissioner Thomas, to move that the San Francisco Employees' Retirement System approve the SFERS Proxy Voting Guidelines for 2024.

Ayes: Commissioners Bridges, Driscoll, Engardio, Gandhi, Heldfond, O'Connor, Thomas

9. 021424-09 Discussion Item Chief Investment Officer's Report

Documents provided to the Retirement Board prior to the current meeting: Exhibit 1: Performance and Market Update, Exhibit 2: Plan Value Report, Exhibit 3: Update on Investments.

Alison Romano, CEO & CIO, provided an oral and written report on performance, market update, plan value and reported the following investments approved by delegated authority:

Torus Feeder 2 LP

Under its delegated authority, SFERS invested \$25 million in Torus Feeder 2 LP by San Francisco Absolute Return Investors II, LP ("SFARI II"). The investment closed on January 1, 2024.

The investment is an additional investment to an existing fund classified as Quantitative within SFERS' absolute return portfolio share class B of SFARI II.

More information about the firm is available at: <https://www.qube-rt.com/>

SDC Digital Infrastructure Opportunity Fund IV, L.P.

Under its delegated authority, SFERS invested \$60 million in SDC Digital Infrastructure Opportunity Fund IV, L.P., which closed on January 11, 2024. This investment is classified as an Infrastructure investment within the Real Assets portfolio and is SFERS' second investment with SDC Capital Partners.

More information about the firm is available at www.sdccapitalpartners.com.

Milestone Real Estate Investors VI, LP

Under its delegated authority, SFERS invested \$70 million in Milestone Real Estate Investors VI, LP, which closed on January 16, 2024. This investment is classified as a Real Estate investment within the Real Assets portfolio and is SFERS' second investment with The Milestone Group.

More information about the firm is available at <https://www.milestonegp.com>.

Institutional Venture Partners XVIII, L.P.

At its meeting on January 19, 2023, the Retirement Board approved in closed session an investment of up to \$75 million to Institutional Venture Partners XVIII, L.P. The investments were approved by the following vote:

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, Safaí, Thomas

Nays: None

Absent: Commissioner Stansbury

SFERS committed \$50 million on February 3, 2023, and this was disclosed at the Board meeting on February 16, 2023. On January 31, 2024, SFERS closed on an additional \$15 million, bringing the total commitment to \$65 million.

This investment will be classified as Venture Capital within SFERS' Private Equity portfolio.

More information about Institutional Venture Partners is available at <https://www.ivp.com>.

Artemis Real Estate Partners Credit Opportunities Fund, L.P.

Under its delegated authority, SFERS invested \$75 million in Artemis Real Estate Partners Credit Opportunities Fund, L.P., which closed on February 12, 2024. This investment is classified as a Real Estate investment within the Real Assets portfolio and is SFERS' second investment with Artemis Real Estate Partners.

More information about the firm is available at <https://www.artemisrep.com>.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

ADMINISTRATION CALENDAR

10. 021424-10 Discussion Item Operations Oversight Committee Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, SFERS Audited Financial Statement and Required Supplementary information for Years Ended June 30, 2023 and 2022, Communications to the Retirement Board for the Year Ended June 30, 2023.

Commissioner Gandhi, Chair of the Operations Oversight Committee, reported the following at their meeting on January 31, 2024:

- Approved the Minutes of the February 10, 2023 Operations Oversight Committee meeting
- Macias Gini & O’Connell, the external audit firm selected by the Controller’s Office, presented the 2023 audited financial statements to the Committee
- Approved to forward Department Budget for FY2024-25 and FY 2025-26 to the full Board with a Committee recommendation to approve, with a caveat of more information on the revised numbers that will be presented to the Board.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

**11. 021424-11 Action Item Approval of the Department Budget for FY2024-25 and
FY2025-26**

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, SFERS Budget Proposal: FY2024-25 and FY2025-26, SFERS Strategic Plan.

Alison Romano, CEO & CIO, provided an oral and written report on the proposed budget which aligns directly with the SFERS strategic plan approved by the Retirement Board in its June 2023 Board meeting.

The proposed budget (1) reflects the complexities and requirements of the business today, (2) enables the organization to deliver successfully on its mission and (3) mitigates risk. With transitions of the CEO/CIO, COO, Deputy Director of Retirement Services and the Director of IT over the past two years, the Executive Management Team has now more fully assessed both the operational and investment needs of the SFERS business.

SFERS is required to balance its department budget against its revenue sources – the SFERS Trust assets and SFDCP recordkeeper reimbursement. All SFERS budget expenses are paid from the SFERS Trust and all SFDCP budget expenses are reimbursed to the department from the San Francisco Deferred Compensation Plan recordkeeper.

Retirement receives no General Fund support from the City.

The Board reviewed and discussed the material and engaged in a question and answer session.

Public Comment was called.

Fred Sanchez, President of Protect our Benefits, spoke about the fear of retired people from getting hacked and the importance of cybersecurity.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Thomas, to approve the Department Budget for FY2024-25 and FY2025-26 with the option to include up to \$7 million for one-time expenses.

Ayes: Commissioners Bridges, Driscoll, Engardio, Gandhi, Heldfond, O'Connor, Thomas

President Heldfond announced a 15 minute break at 12:20 PM

The Board meeting resumed at 12:35 PM

12. 021424-12 Action Item Review and Approval of Basic COLA Effective July 1, 2024

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Exhibit A and Exhibit B.

Janet Brazelton, Actuarial Services Coordinator, reported that based on a (rounded) 3% increase for calendar year 2023, Charter §A8.526-2 provides that all qualified SFERS members who retired on or before July 1, 2024 will receive a 2% cost of living increase (Basic COLA) payable effective July 1, 2024.

The difference between the (rounded) 3% CPI increase for 2023 and the 2% Basic COLA granted July 1, 2024 of 2% will be credited to the COLA Bank for all members who retired prior to July 2, 2024.

Differences in the annual change in CPI from two-percent are accumulated as required in Charter Section A8.526-2(d) to provide cost-of-living increases or decreases in succeeding calendar years.

The Board reviewed and discussed the material and engaged in a question and answer session.

Public Comment was called.

Fred Sanchez, Protect our Benefits, questioned how the COLA Bank works.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner O'Connor, to approve a Charter A8.526-2 cost of living (Basic COLA) increase of 2% payable effective July 1, 2024 for all qualified SFERS retirees who retire prior to July 2, 2024.

Ayes: Commissioners Bridges, Driscoll, Engardio, Gandhi, Heldfond, O'Connor, Thomas

13. 021424-13 Action Item Determination and Approval of Credited Interest Rate for Fiscal Year 2024-2025

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Credited Interest Rate Policy.

Janet Brazelton, Actuarial Services Coordinator, reported that the credited interest rate will be adjusted only in years when the change in the average yield from the previous calendar year is greater than 0.50% (50 basis points) or when a change is required to prevent the Plan's credited interest rate from falling outside the minimum or maximum limits provided under the Administrative Code.

As the average yields of both Calendar Year 2023 and 2022 fall short of the minimum 4% credited interest rate, Plan's credited interest rate will remain at 4.0% effective July 1, 2024.

As required under Policy, retirement staff has completed the analysis in accordance with the Credited Interest Rate Policy and Cheiron, the Retirement Board's consulting actuarial firm, has reviewed and approved staff's analysis and recommendation.

The Board reviewed and discussed the material and engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Thomas, to accept the credited interest rate analysis provided and approve no adjustment in the Plan's current credited interest rate of 4% effective July 1, 2024.

Ayes: Commissioners Bridges, Driscoll, Engardio, Gandhi, Heldfond, O'Connor, Thomas

Commissioner Engardio left Board meeting at 1:00 PM

14. 021424-14 Action Item Review and adoption of the July 1, 2023 Actuarial Funding Valuation Report and presentation of Employer Contribution Rate Stress Test Projections

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Presentation July 1, 2023 Actuarial Valuation Results, July 1, 2023 Actuarial Valuation Report.

Bill Hallmark and Anne Harper of Cheiron presented the results of the SFERS annual actuarial valuation as of July 1, 2023. This valuation forms the basis for the calculation of the fiscal year 2024-2025 employer and employee contribution rates.

The Board reviewed and discussed the material and engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: Moved by Commissioner Thomas, seconded by Commissioner Driscoll, to adopt the July 1, 2023 Actuarial Valuation Report.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Engardio

15. 021424-15 Action Item Adoption of Employer Contribution Rate of 16.91% for Fiscal Year 2024-25

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum

Janet Brazelton, Actuarial Services Coordinator, presented the results from the July 1, 2023 actuarial funding valuation which determines the contribution rate for fiscal year 2024-25.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

The Board reviewed and discussed the material and engaged in a question and answer session.

Action: Moved by Commissioner Driscoll, seconded by Commissioner Thomas, to adopt the recommended Employer Contribution Rate of 16.91% for fiscal year 2024-2025.

Ayes: Commissioners Bridges, Driscoll, Gandhi, Heldfond, O'Connor, Thomas

Absent: Commissioner Engardio

16. 021424-16 Discussion Item Chief Executive Officer's Report

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, Quarterly Travel Expense Report, Retirement Board Forward Calendar for February 2024 to December 2024, Public Retirement Conferences and Training Programs for SFERS Trustees – Nossaman LLP.

Alison Romano, CEO & CIO, provided an administrative update.

The Board reviewed and discussed the material and engaged in a question and answer session.

Public Comment was called.

There were no comments from the public and Public Comment was closed.

Action: This is a discussion only item.

DEFERRED COMPENSATION PLAN CALENDAR

17. 021424-17 Discussion Item San Francisco Deferred Compensation Plan Quarterly Report – Q4'23

Documents provided to the Retirement Board prior to the current meeting: Staff Memorandum, SFDCP Quarterly Memorandum-Q4'23, Quarterly Activity Report – Q4'23, Q4'23 Plan Review, Galliard Q4 Economic Update.

Diane Chui Justen, Deferred Compensation Director and Bishop Bastien, Voya, presented a quarterly report on the San Francisco Deferred Compensation Plan covering four key areas as follows:

Investments

- Stable Value Credit Rate is 3.01% for Q1 2024
- Reduced Costs for SFDCP Core Funds

Marketing/Communications

